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VIENNA FOR UNIDO MISSION

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TAGS: UNIDO, PORG, AORG, EIND, ECIN, EAID, OCON, ABUD

SUBJECT:THIRD SESSION OF INTERGOVERNMENTAL COMMITTEE ON
UNIDO CONSTITUTION: DUEL BUDGET AND BUDGET MAKING PROCESS

REF: (A) VIENNA 5560, (B) VIENNA 5551, (C) STATE 166414,
(D) STATE 166413, (E) VIENNA 5565

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1. US DELEGATION, FACING IMPASSE BETWEEN U.S. POSITION AND INSTRUCTED POSITIONS OF ALL GROUP B COLLEAGUES (REFTEL B, PARA.4 AND REFTEL A, PARA 3), IS AUTHORIZED TO APPROVE A DUAL BUDGET TEXT ALONG LINES OF ARTICLE 10 BIS DELETING SPECIFICATION OF THE SOURCE OF FINANCING FOR OVERHEAD COSTS, I.E., DELETING SECOND SENTENCE OF PARA 1 (A) WHICH BEGINS "THESE SHALL INCLUDE EXPENSES..." (IT FOLLOWS ALSO TO DELETE SECOND SENTENCE OF PARA 1.(B) AND ALL OF PARA 3). THIS POSITION SUBSTITUTES SILENCE FOR OUR PREVIOUS EXPLICITLY STATED POSITION THAT OVERHEAD COSTS OF TECHNICAL ASSISTANCE MUST BE FINANCED BY VOLUNTARY CONTRIBUTIONS. ITS EFFECT SHOULD PLACE UNIDO IN THE SAME POSITION AS OTHER SPECIALIZED AGENCIES IN TERMS OF AVAILABILITY OF ASSESSED CONTRIBUTIONS TO PAY OVERHEAD COSTS OF UNDP PROJECTS WHICH IT EXECUTES. HOWEVER, GROUP B OUGHT TO SAVE THIS CONCESSION

FOR THE APPROPRIATE TACTICAL MOMENT. THIS SIGNIFICANT CONCESSION, WHICH CONTINUES THE "STATUS QUO" ON FINANCING UNDP TECHNICAL ASSISTANCE OVERHEADS, SHOULD BE TRADED IN BARGAINING FOR PROVISIONS WHICH GIVE MAXIMUM POSSIBLE PROTECTIONS TO MAJOR CONTRIBUTORS NOT YET AGREED TO BY G-77 IN AREA OF BUDGET PROCESS. THESE PROTECTIONS WERE DEFINED IN STATE CABLES OF JUNE 29 AND JULY 3, RESPECTIVELY SUBTITLED "PBC SIZE COMPOSITION AND PROCEDURES" AND "PROCEDURES FOR ASSESSED PORTION OF PROGRAM BUDGET." SOME OF THESE PROTECTIONS HAVE BEEN INCORPORATED IN GROUP B PROPOSAL, REFTEL A, PARA 2. DEPT INSTRUCTIONS ARE TRANSMITTED SEPTEL ON PROPER HANDLING UNDER SPECIALIZED AGENCY OF THREE OTHER ELEMENTS OF TECHNICAL ASSISTANCE "STATUS QUO."

2. U.S. DEL WAS CERTAINLY CORRECT IN STATING (REFTEL B, PARA 2) THAT DIRECTION OF SECRETARIAT DRAFT NOT ACCEPTABLE TO U.S. AT THE SAME TIME, GIVEN PRESENT IMPASSE, DEPT COULD ACCEPT AS AN ALTERNATIVE TO THE ABOVE SHORTENED VERSION OF ARTICLE 10 BIS, THE FOLLOWING SHORTENED VERSION OF THE SECRETARIAT TEXT QUOTED IN REFTEL B, PARA 2. DELETED PORTIONS ARE UNACCEPTABLE.
" 1.(A) THE ASSESSED BUDGET SHALL CONSIST OF ALL LIMITED OFFICIAL USE

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EXPENDITURES OF THE ORGANIZATION EXCEPT THOSE INCURRED FOR OR IN CONNECTION WITH ASSISTANCE RENDERED TO A PARTICULAR MEMBER OR GROUP OF MEMBERS. (DELETION)
1.(B) THE EXPENDITURES INCLUDED IN THE ASSESSED BUDGET SHALL BE BORNE BY THE MEMBERS, AS APPORTIONED IN ACCORDANCE WITH A SCALE OF ASSESSMENTS. (DELETION)
2.(A) THE OPERATIONAL BUDGET SHALL CONSIST OF ALL EXPENDITURES OF THE ORGANIZATION THAT ARE NOT INCLUDED

IN THE ASSESSED BUDGET. 2(B) THE EXPENDITURES INCLUDED IN THE OPERATIONAL BUDGET SHALL BE FINANCED FROM GENERAL VOLUNTARY CONTRIBUTIONS, FROM SPECIAL CONTRIBUTIONS, (AND) FROM THE INDUSTRIAL DEVELOPMENT FUND. (DELETION) DEPT CAN EVEN SEE TACTICAL ADVANTAGE OF ACCEPTING SHORTENED SECRETARIAT DRAFT RATHER THAN SHORTENED ARTICLE 10 BIS SINCE LATTER IS DIRECT WITHDRAWAL AND HAS ACCUMULATED A STIGMA.

3. DEPT BELIEVES SECOND PHRASE OF SECRETARIAT DRAFT PARA 1(B), WHICH WE DELETED, IS THE TYPE OF PROVISION WHICH BELONGS IN ARTICLE 12 RATHER THAN IN THIS ARTICLE. DELEGATION WILL RECALL THAT DECISION WAS REACHED DURING STIBRAVY'S MARCH CONSULTATIONS IN DEPT EITHER TO SUBSTITUTE FOR PARA 2 IN ARTICLE 12 OF GROUP B TEXT, "NO MEMBER STATE SHALL PAY AN ASSESSMENT IN EXCESS OF THE PERCENTAGE CEILING ON THE UN ASSESSMENT

SCALE" OR TO ADD A PARA 3 TO ARTICLE 12 OF GROUP B TEXT, "NO MEMBER STATE SHALL BE ASSESSED MORE THAN 25 PERCENT OF THE REGULAR BUDGET."

4. THE ANNEX III PORTION OF THE SECRETARIAT TEXT IS UNACCEPTABLE TO DEPT. ALTHOUGH DEPT POSITION DOES NOT CONTRADICT PART (A) OF ANNEX III, DEPT CONCESSION ON ARTICLE 10 BIS DOES NOT INCLUDE EXPLICIT STATEMENT THAT OVERHEADS FOR UNDP WILL BE FINANCED BY ASSESSED CONTRIBUTIONS. NEVERTHELESS, THE SILENCE ALLOWS THE "STATUS QUO" TO PREVAIL.

5. THE DEPT INTERPRETS PART (B) OF ANNEX III (REFTEL B, PARA 2) AS REFERRING TO LINE ITEMS OF THE PRESENT ASSESSED UN REGULAR PROGRAM OF TECHNICAL ASSISTANCE. LIMITED OFFICIAL USE

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AS WE SEE IT, THE "SHORT TERM ADVISORY SERVICES" MIGHT ALSO BE INTERPRETTED TO REFER TO THE UNIDO SPECIAL INDUSTRIAL SERVICES (SIS) WHICH AT PRESENT ARE FINANCED VOLUNTARILY UNDER UNDP AND INCLUDE AN ELEMENT FOR "SPECIAL MEASURES FOR LEAST DEVELOPED COUNTRIES." FOR THE GENERAL U.S. POSITION ON SUBSTITUTE ARRANGEMENTS IN A SPECIALIZED AGENCY FOR FORMER SOURCES OF TECHNICAL ASSISTANCE SEE SEPTTEL.

6. UNDER STRAINED SITUATION OF APPARENTLY COMPLETE ISOLATION OF U.S. BY FRG, CANADIAN AND SWEDISH DELEGATIONS, U.S. DELEGATION DID WELL (REFTEL A, PARA 4) TO VIGOROUSLY DISTINGUISH A) AGENCY OVERHEAD COSTS OF ADMINISTERING UNDP TECHNICAL ASSISTANCE PROJECTS FROM B) AGENCY COSTS OF ADMINISTERING ENTIRE TECHNICAL

ASSISTANCE PROJECTS ON ITS OWN USING ASSESSED CONTRI-
BUTIONS. LATTER IS, AS U.S. DEL STATED, DIRECT
DEPARTURE FROM ESTABLISHED PRINCIPLE. GIVEN BROADENED
CRITICISM OF U.S. FOR BEING WILLING TO TAKE DIFFERENT POSI-
TION IN FAO, U.S. SHOULD PRESENT EXPLANATION TO ALL OF
GROUP B OF EXCEPTIONAL CIRCUMSTANCES IN FAO CONTAINED
IN REFTEL C. U.S. DEL SHOULD EMPHASIZE THAT U.S. HAS
CONTINUED TO OPPOSE ASSESSED FINANCING OF
"TECHNICAL OPERATIONS" SECTION OF WHO BUDGET AND THE UN
REGULAR PROGRAM OF TECHNICAL ASSISTANCE. U.S. DEL
SHOULD RECALL THAT IT WAS THE ABSENCE OF EFFECTIVE
OPPOSITION TO THE MORE THAN 50 PERCENT FAO BUDGET
INCREASE FOR 1976-77 WHICH MADE AVAILABLE THE FUNDS
WHICH DIRECTOR GENERAL NOW PROPOSES TO REALLOCATE
INTO TECHNICAL ASSISTANCE. FINALLY, U.S. DEL SHOULD

USE FAO SITUATION TO EMPHASIZE IMPORTANCE OF GROUP B
DEMANDS TO CONTROL BUDGET PROCESS THROUGH PROGRAM
BUDGET COMMITTEE AND INDUSTRIAL DEVELOPMENT BOARD
COMPOSITION, VOTING, AND PROCEDURES TO BE ABLE TO
PREVENT EXCESSIVELY LARGE ANNUAL ASSESSMENT INCREASES,
SUCH AS THOSE IN FAO, FROM OCCURRING IN A UNIDO SPECIALIZED
AGENCY.

7. DEPT AWAITS FRG SUBSTITUTE ARTICLE 10 BIS TEXT
AND REACTION OF ALL GROUP B TO PRESENTATION OF REFTEL C
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POINTS AS EXPANDED BY PARA 6 ABOVE. KISSINGER

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